

Volume 1

Pages 1 - 35

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE MAGISTRATE JUDGE ELIZABETH D. LAPORTE

NETWORK APPLIANCE, INC.,)	
)	
Plaintiff,)	
)	
vs.)	NO. C 07-6053-EDL
)	
SUN MICROSYSTEMS, INC.,)	
)	San Francisco, California
Defendant.)	Tuesday
)	May 13, 2008
)	9:12 a.m.

TRANSCRIPT OF PROCEEDINGS

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Official Reporter - U.S. District Court

1 **THE CLERK:** Calling Civil 07-6053, Network Appliance,
2 Incorporated, versus Sun Microsystems.

3 **MR. FOWLER:** Good morning, your Honor. Mark Fowler
4 and Christine Corbett, for Sun Microsystems.

5 **MR. REINES:** Good morning, your Honor.
6 Edward Reines, Jill Ho, and Aaron Nathan, on behalf of Network
7 Appliance.

8 **THE COURT:** Well, I want to hear from both sides.
9 One of the issues that I'm particularly concerned about is how
10 going in either direction impacts the whole case management of
11 this, which is already fairly complicated. I mean, obviously,
12 it would take some things out for a certain period of time.
13 Still, on the other hand, there's already a lot of things on
14 different tracks. So that's one issue.

15 Another: is this an all-or-nothing thing?

16 In other words, if I stay it now, and, you know, it
17 appears that things have really bogged down in the PTO, is that
18 something that I could take another look at later, or is it --
19 -- you know, I mean, I know you'd both be making your arguments
20 at that point about why I shouldn't or should reconsider, but
21 would it make any sense, because, you know, without getting
22 into ruling on sort of the competing statistics, for what
23 they're worth, et cetera, I mean, it's plain there's a range of
24 things that can happen in the PTO. And things can, you know,
25 abort earlier, or things can drag on at a very excessive, some

1 would say, length; certainly, you know, a period of years. So
2 that's another issue.

3 I mean, in terms of the cases, this is certainly at
4 an early stage. And that tends to weigh in favor of staying.

5 And, on the other hand, is there any particular
6 prejudice here that's different than the usual case?

7 I mean, really, either way, you know, they're just
8 two different forums. And both of them are competent to decide
9 these issues. And the question is: what makes the most sense
10 here?

11 So those are some preliminary thoughts.

12 **MR. FOWLER:** Well, your Honor, let me just address
13 the points that you raised. I think the other points that I
14 would make are all in the papers. I won't repeat those.

15 With respect to the all-or-nothing aspect of this,
16 the Court, of course, has the ability to revisit any decision.
17 The Court or the parties could do a number of things here. One
18 is the Court could just stay the prosecution of these patents
19 until there's a decision at some point from the Patent Office.
20 That's one option.

21 A second option is the Court could stay the
22 prosecution of its case as to these patents for a specific
23 period of time, at which time the parties would come back and
24 revisit the issue with the Court.

25 **THE COURT:** Mm-hm. Well, I would say I would not

1 stay everything. I don't think that was even my request.

2 **MR. FOWLER:** No.

3 **THE COURT:** Unless that, for some reason -- I know
4 the plaintiff is concerned that there's an -- in their view, an
5 inequality created by staying only some of their patents, but
6 not any of yours.

7 **MR. FOWLER:** I did not mean to suggest staying the
8 whole case. I'm only talking about the three patents that are
9 at issue right now --

10 **THE COURT:** Right.

11 **MR. FOWLER:** -- so that you could stay it for good;
12 you could stay it for specific period of time.

13 I'm involved in another case right now where there's
14 a motion pending for a stay, I think, of six months. And at
15 that point if the stay were granted, the parties would go back
16 to the Court and report what's happening in the PTO.

17 Another option would be that the Court just retain
18 its inherent ability to monitor stock. And if one of the
19 parties wants to come back in and revisit the stay at any
20 particular time -- whether it be six months or seven months, or
21 a year, or a year and a half from now -- the Court could always
22 revisit that issue.

23 I should note, though, on the issue of things getting
24 bogged down, to a large extent -- to the extent that the
25 process in the PTO is going to take a long time, it's in large

1 part going to be in the hands of the patent holder. Are they
2 going to take extensions? Are they going to draw the process
3 out in the Patent Office, or are they going to seek a prompt
4 resolution in the Patent Office? That will definitely impact
5 how long this process is going to take.

6 And if the Court's going to revisit this in the
7 future, I think that's one thing that the Court would want to
8 look at, is to see where the process is being drawn out; not
9 just whether it's being drawn out.

10 **THE COURT:** And is there -- I think this might become
11 unduly complicated, but apparently, there is a difference in
12 how -- the speed of the *ex parte* versus the *inter partes*.

13 **MR. FOWLER:** Again, it depends on the statistics.
14 You look at the statistics we've cited to the Court. I think
15 the difference is a matter of months. It's both a little over
16 two years, as I recall, so it's not -- it's not a huge
17 difference in the overall scheme of this, considering that
18 there are three litigations going on between the parties right
19 now.

20 **THE COURT:** Mm-hm.

21 **MR. FOWLER:** I'd like to move to that point, if you
22 don't mind; that is the issue of different tracks.

23 We have one track in this case right now.

24 We have another case. There's one track in that
25 case.

1 We have a third case with a --

2 **THE COURT:** Are we getting some feedback
3 (indicating)? Is it due to a cell phone?

4 **MR. FOWLER:** It could be me. It's got to be away
5 from that one, too. I'm the offending party. I apologize.

6 **THE COURT:** That's all right.

7 **MR. FOWLER:** We don't have a track in the third case
8 yet because we haven't gotten that far.

9 In terms of this case, I don't not view this as being
10 a multiple-track situation. First of all, if the Patent Office
11 addresses this issue all the way through, then at least as to
12 the validity of these patents, if the patent claims are
13 canceled, then there's no other track to be had here.

14 **THE COURT:** Right, but if they're valid or at least
15 enough of them that matter survive -- and I suppose that could
16 be only one potentially -- then we've got to move on to
17 infringement.

18 And they're saying potentially five years later,
19 or --

20 **MR. FOWLER:** Right. So there's another possibility
21 in between, your Honor, is that, rather than being canceled,
22 it's amended.

23 **THE COURT:** Mm-hm.

24 **MR. FOWLER:** And at that point, things like damages
25 in this case are going to have to -- the clock's going to have

1 to reset.

2 So in the instance of a -- a patent surviving, which
3 I don't think is likely, but in the event that it does, or if
4 it's amended, we have other recourse. We have two other cases
5 pending. The Court could slap that patent into one of those
6 other cases, if that's where it falls in the time line.

7 If it doesn't, then the Court, as would be the case
8 in any instances where there's a stay pending a reëxamine, the
9 Court would then hear the patent or patents after the first
10 trial in this case -- I don't think anybody is suggesting that
11 we hold the rest of this case back -- and that, as to the
12 remaining patents, we move expeditiously to the extent we can
13 in this case.

14 **THE COURT:** Well, what about the argument that
15 there's particular prejudice in this case? That makes it
16 somewhat different from -- I mean, it appears that this case
17 does, you know, to the extent that there are, you know, other
18 cases, especially looking in this district, I think other
19 things being equal, there's a value to having at least a little
20 bit of predictability that when you come into this district,
21 the judges of this district will handle like cases alike.

22 You know, it doesn't go very far. There are a lot of
23 other districts. At least I think it's of some value to the
24 litigants that they look at, you know -- and certainly this
25 case is in a very early stage. And most of the cases tend to

1 grant stays in that circumstance, I think; but on the other
2 hand, you know, there's an argument that -- but if it creates a
3 great deal of inequality or would create special prejudice to
4 the other side, that would be something that would, you know,
5 render it different.

6 **MR. FOWLER:** Well, your Honor, I'll deal with, I
7 think, two points that I heard.

8 One: is there any special prejudice here?

9 I think this case is unique, but not for the reason
10 that there's special prejudice. It's that there's no evidence
11 of any prejudice at all. And I'm not just arguing about the
12 evidentiary points that we made. I'm talking about what's
13 happened already.

14 **THE COURT:** Mm-hm.

15 **MR. FOWLER:** This code, which is the accused product
16 in the case -- CFS had been out for almost two and a half
17 years. And attempting to show prejudice -- there's been no
18 evidence, not even any, really, argument that I can recall,
19 that there's been any harm at all so far. None. So you have a
20 track record.

21 **THE COURT:** In other words, any loss of market share,
22 et cetera?

23 **MR. FOWLER:** There's been no evidence that a single
24 lost sale has occurred. There's been no evidence of any
25 diminution in the price that they'd be able to sell. No damage

1 whatsoever in terms of monetary loss.

2 So we have a situation where there's a track record
3 of two and a half years. There's been no evidence put forward
4 by NetApp of any harm; much less irreparable harm or a lot of
5 harm. And that's pretty telling, I think, because they have
6 the burden of showing prejudice.

7 This is not a situation like a lot of cases, where
8 maybe there's a new product coming out that's a hit with the
9 patent. You're not sure what's going to happen. And this had
10 been around for a while.

11 And then, as to going forward, I won't belabor the
12 points that we made in our brief, but the showing going
13 forward -- there's nothing there. It amounts to Mr. Hitz
14 saying, "Maybe." I mean, I think the -- kind of what really
15 sums up the thrust of what they're saying is he says at one
16 point -- and we quote this in our brief -- "It is not outside
17 of the realm of possibility." And the way I equate that is:
18 it's probably not going to happen, but it might. And that's
19 certainly not a showing for irreparable harm. So I don't think
20 there's any showing of harm. There's no prejudice in this case
21 at all.

22 And in terms of inequality, the only inequality
23 that's been pointed out is if the Court were to stay these
24 three patents, that in case one, the first case that we're here
25 for today, there would be, I believe, four patents left for

1 NetApp. And I believe we would have 12.

2 And again, as Mr. Reines and I have told the Court
3 when we've been here before, the parties -- I don't think we
4 anticipated that all claims of all patents will ultimately
5 proceed to trial.

6 **THE COURT:** Not in one trial.

7 **MR. FOWLER:** Right, yeah. And I suspect that we're
8 going to be able to tell the Court when we're closer to that
9 point in time that we're not talking about a 16-patent trial,
10 but that's something that we've both said can happen going
11 forward.

12 And we certainly --

13 **THE COURT:** Well, and I suppose that, conceivably,
14 could influence -- I mean, if it were a legitimate concern, at
15 that point, I would have the opportunity to consider evening
16 that out.

17 **MR. FOWLER:** Yes, your Honor.

18 **THE COURT:** In other words, not saying each cut by
19 50 percent or 75 or whatever; but each remain with one or two
20 patents --

21 **MR. FOWLER:** Absolutely, your Honor.

22 **THE COURT:** -- on their side.

23 **MR. FOWLER:** Just to go back to the issue of the
24 number of patents and the prejudice issue, I want to focus
25 again on the fact that the accused product in this case is ZFS.

1 And that's true for all seven of the asserted patents. So this
2 is not a situation where NetApp's going to be robbed of its day
3 in court. It's going to be able to proceed with patents that
4 it says are infringed by ZFS, even if these other patents,
5 which, frankly, are clearly invalid, are subject to reëxam.

6 And, as the Court noted, I think that it's important
7 for two reasons. As a policy reason to stay this case --
8 first, it's the public policy, as announced by Congress, that
9 this is supposed to be a mechanism that, if followed properly,
10 although it's in the Court's discretion, is something to
11 resolve these kind of issues. And we've quoted the language in
12 our papers on that.

13 And another situation is -- I agree, your Honor. I
14 think like cases should be treated alike in this District for
15 predictability purposes. And we've cited at least six cases
16 that have -- in this District, where it's been specifically
17 stated that the policy, at least in this District, is in favor
18 of reëxamination.

19 And even the two cases that are cited by NetApp for
20 reëxamination were denied, which I believe were the *Clorox*
21 [sic] case and *Frenesius*.

22 **THE COURT:** *Frenesius* --

23 **MR. FOWLER:** It's *Comcast*, rather than *Clorox*. I'm
24 sorry.

25 Those two cases, where reëxam was denied, in both of

1 those cases, the Court went on to say, basically, if --
2 defendant, if you had done this at the beginning of the case, I
3 likely would have granted this stay, but you waited until 18
4 months in one case; 24 months in one instance, after a trial
5 ruling had been reached.

6 **THE COURT:** That was a little late.

7 **MR. FOWLER:** That was a little late in the game. And
8 they wanted to have their cake and eat it, too. They wanted to
9 go through litigation, see how it went, and then try it.

10 In this case, we filed a reëxam right from the
11 get-go. As pointed out in our brief, this is no -- we're not
12 trying to hide anything. In our Rule 26 conference last
13 December, I told counsel that we were going to do this if
14 petitions weren't granted at the CMC that we had in this
15 courtroom. Following that, we again alerted our court. It was
16 in our CMC statements.

17 **THE COURT:** I don't think anybody's saying this came
18 as a surprise.

19 **MR. FOWLER:** Right. So, your Honor, unless you have
20 any other questions for me, I think that addresses the
21 questions you've asked.

22 **THE COURT:** Thank you.

23 **MR. FOWLER:** Thank you.

24 **MR. REINES:** Good morning. I'd like to address the
25 questions you raised and the points that follow from them.

1 First, in terms of case management, the way at least
2 I understood our discussion and case management conference was
3 we have more than anybody could possibly digest three times
4 over. And what the Court's going to do to manage this is it's
5 going to force the parties to bring it down to a bite-sized,
6 adjustable flow and pace.

7 **THE COURT:** That's b-i-t-e, and not b-y-t-e.

8 **MR. REINES:** Exactly.

9 And that would be relatively -- it would be equal.
10 The Court would be looking to be fair and equal in how it
11 distributed that. And I think both sides recognize that was
12 sensible. It may not be exactly the way everyone would like
13 everything, but that was a sensible approach.

14 What this motion is about is removing the ability of
15 NetApp to select which patent claims it wants to pursue, when
16 it's forced to go down to one or two patents from the seven
17 that it has, and basically icing three of them at their
18 discretion -- and they've got a fourth reëxam that they're
19 seeking on another patent -- instead of letting us make the
20 choice.

21 If these patent are fated to nose-dive into the
22 ground, and we're going to lose all our damages and waste
23 everybody's time and waste your time and I'm going to waste all
24 these people's time, then we won't pick that patent when we
25 make the decision; but it seems to me to be fundamentally

1 unfair to ask us to ice three patents.

2 Now, what have they proven or shown to anybody in
3 order to justify that? Why these three patents; not the
4 others?

5 Everybody knows we filed a seven-patent case to
6 initiate this dispute because we believed ZFS was infringing,
7 and it had gotten to the point where it was unsustainable to
8 tolerate any kind of activity with it. And those were our core
9 patents. You can debate some within the seven whatever, but
10 that was our thrust.

11 They came back and did 12, and then so on, and so
12 forth.

13 Clearly, that's the centerpiece of our case. We're
14 not going to tell you otherwise.

15 What have they shown with these three patents that
16 they want to ice?

17 They filed a reëxam request, which is granted in
18 96 percent of the cases. Shown nothing. They've shown
19 nothing, because it takes nothing to get the Patent Office to
20 say, "Yes, we'll reconsider it." It's not like there's some
21 threshold showing that these are sketchy.

22 And to my astonishment, with the '292 patent,
23 which -- to me, the motion just should be denied, frankly. I
24 know a lot of these problems are complex. And Counsel comes
25 and tells you they're easy.

1 The '292 patent has an independent claim that the
2 Patent Office refused to even consider reëxamination. That's
3 like finding a needle in a haystack.

4 So the statement of counsel that they're clearly
5 invalid, when the Patent Office won't even find -- a filter of
6 4 percent of the matters that don't make it to reëxam -- our
7 '292 patent, which is one of the core Hitz patents --

8 **THE COURT:** Well, I mean, on that --

9 And I want to hear a response on that afterward --

10 **MR. REINES:** Sure.

11 **THE COURT:** -- but I take it the independent claim,
12 presumably, is one of your main claims?

13 **MR. REINES:** It's an asserted claim. It was in our
14 infringement contentions. They've filed their validity
15 contentions. People can call this the early point in the case.
16 I'm not going to win or argue this on the grounds that it's a
17 late stage. The parties have done their infringement
18 contentions. The case is essentially worked up to the basics.

19 Yes, we'll have to do some 30(b)(6) depositions.
20 And, yes, there will be documents and everything else; but
21 we've made our infringement case. They've made their
22 invalidity case.

23 **THE COURT:** The '292 -- is that one of the *ex parte*,
24 or the --

25 **MR. REINES:** That's the *ex parte*. Because of the

1 timing --

2 **THE COURT:** Mm-hm.

3 **MR. REINES:** -- the Patent Office wouldn't even take
4 it for a reëxam grant, which is a 4 percent or 6 percent or --
5 whatever, you know. That is not that refined, that we can
6 go -- it's infinitesimal; probably on situations where people
7 didn't make -- meet the requirements.

8 **THE COURT:** In general, the competing declarations --
9 I mean, they are declarations, but this really, at most, would
10 be akin to a judge trial, in which the rules of evidence are
11 fairly relaxed. And it really isn't even that. It's a, you
12 know, sort of points and support of whether to stay or not.
13 And I tend to take from that on the whole that I'm not looking
14 at quantitative evidence, really, but sort of qualitative
15 evidence. I'll say it to both sides. I mean, whether I get
16 into the technical rulings or not, I mean, I think that's
17 what's going to be left either way, however I rule.

18 I mean, essentially, there's, you know, discussion of
19 just how fast or how slow. I don't -- you know, I don't -- I
20 think if -- getting a lot -- very, very specific is sort of
21 pseudoprecision, you know. That's kind of how I look at the
22 general issue.

23 **MR. REINES:** I think it's just two ways of looking at
24 it, just stepping back and looking at it on the -- so the '292,
25 I think I've addressed.

1 Having a claim that wasn't put into reëxam removed
2 from our case by them in this kind of procedural maneuver just
3 doesn't seem to me to be a close case whatsoever.

4 **THE COURT:** Okay. Even if it's a procedural -- I
5 mean, it can be -- you know, I assume that nobody makes a move
6 in a case unless they think it has a tactical advantage for
7 them. Nonetheless, that's not of my concern, really.

8 My concern is simply, you know, Congress has provided
9 for two different ways to handle these things. There is some
10 policy in favor of deferring to the Patent Office to some
11 degree. And, you know, this case is at an early stage, so that
12 I think your point about the '292 is a good one, but what about
13 the others?

14 **MR. REINES:** Fair enough. And let me -- I mean,
15 there's sort of a lot there, but let me just start with: let's
16 be clear about *inter parte* reëxam. It's been going on since
17 1999. Eight years of experience. Okay. The total output's on
18 the back end in eight years, with hundreds and hundreds of
19 these things filed.

20 The day that we're waiting for that -- that Sun wants
21 us to wait for has never happened in any of them, ever, in
22 eight years, period. Stop.

23 **THE COURT:** Right, but some had been abandoned,
24 presumably because the patent holder may have seen the writing
25 on the wall.

1 **MR. REINES:** Right. Out of 300-plus, there have been
2 15 total dispositions.

3 **THE COURT:** Mm-hm.

4 **MR. REINES:** Fifteen, out of 300-plus.

5 **THE COURT:** And the others are still pending?

6 **MR. REINES:** Yes. So people haven't been giving up
7 right and left. I mean, that's just noise. That's someone
8 missing a filing date, or someone not getting paid.

9 **THE COURT:** But what about the cases that we have
10 here? In other words, the goal of being consistent with what
11 other people are doing in --

12 **MR. REINES:** I mean, I'm hopscotching a little bit
13 because I want to be responsive to everything you're saying.
14 Let me address that one immediately.

15 I read the cases last night. To me, the cases where
16 they grant reëxams --

17 Well, first of all, the leading case, which is
18 Judge Walker's ASCII 2 case, which was a situation where the
19 patent owner wanted to stay his own case, and was saying -- and
20 the defendant in this case would be analogous to Sun -- was
21 saying, "No, don't do that."

22 And Judge Walker was saying, "Wait a minute. The
23 patent owner wants to go to the Patent Office and get it ironed
24 out first." And there's no irreparable harm, compared to the
25 irreparable harm evidence we have here? And that's when

1 this -- this favoring reëxam -- and that's sort of been in the
2 form orders that are not even precedential opinions, right?
3 That's the one that's the precedential opinion.

4 **THE COURT:** Well, I mean, none of them are
5 precedential truly; but I do, like I say, think there is a
6 benefit, other things being equal, to having some uniformity --

7 **MR. REINES:** Right.

8 **THE COURT:** -- because there is a great deal of
9 discretion in this area. And if litigants go in and have no
10 idea how the Court's going to exercise that discretion in a
11 given case, that's not terribly helpful to the system as a
12 whole.

13 **MR. REINES:** I meant published in Westlaw reporters,
14 as compared to just something that's pulled off Westlaw, where
15 I'm not sure it's attempting to set forth a policy for all
16 time; but if you look at all those cases, there are individuals
17 or holding companies or whatever. It's not a competitive
18 situation.

19 And, to me, you can get your royalties later. The
20 delay really -- the argument for delay is almost nonexistent.
21 There is even nothing remotely resembling irreparable harm
22 shown here, in theory or in the evidence we submitted.

23 **THE COURT:** I mean, you're showing this is actual
24 market competition with competing products. That's -- you're
25 arguing that. And I get that. And --

1 **MR. REINES:** Much worse than that, your Honor. It's
2 not hocus pocus here. This ZFS is a major initiative which
3 their CFO is blogging about to get everywhere -- this
4 software -- and making it easy for everybody to adapt it and
5 become adopters.

6 And they didn't -- you know, Sun's not been having
7 the best of times. And they didn't have the best of times for
8 this -- for a long time. And it's to the point where it's a
9 real issue, where someone like David Hitz will put in the
10 declaration that he put in to you, saying, "We're not going to
11 put the horses back in the barn." It's not just a competitive
12 Coke/Pepsi situation. It's Coke, Pepsi, with a little Napster
13 sprinkled in, which is -- it's not sophistry. That's what it
14 is.

15 **THE COURT:** Napster makes me smile just because, you
16 know, I have teen-age children who are very interested in that
17 case. That's all.

18 **MR. REINES:** So what I'm saying is if we're right in
19 infringement, we're not attempting to win here and prove to you
20 for all time that -- their documents where they're saying they
21 took the ideas that are in the patents go a long way to that,
22 but what we're saying is if there is infringement, they're not
23 only doing it themselves; they're encouraging, you know, in
24 their -- they're saying to companies, "We'll protect you.
25 You're within the umbrella." And it's going everywhere. And

1 we're not going to be able to reverse that to wait for a
2 situation where they can't get an *inter parte* to the Board,
3 when exam -- there are three that have gone to the Board,
4 right?

5 **THE COURT:** What about my question whether there's
6 anything short of, you know -- whether, once it's stayed, do
7 you think that -- would there be any point in saying, you know,
8 "Let's look at this for six months or a year," and then see:
9 is this process totally bogged down? Have we learned anything
10 from it, one way or the other? Has the Patent Office basically
11 said, "Actually, we don't think there's much of a problem
12 here," and so the odds start to narrow down as to whether
13 anything really meaningful is going to happen?

14 **MR. REINES:** We've got a long line. It's a long
15 queue, like an ATM machine. And these patents are properly at
16 the front. And they're significant. They're important to the
17 matter. The fact that we initiated the case to prosecute these
18 cases -- that deserves respect.

19 **THE COURT:** I mean, that's always --

20 **MR. REINES:** And if it's six months out -- well,
21 there are two things on "It's always." You could stop every
22 patent-infringement claim ever, selectively, when you want to.

23 **THE COURT:** But, I mean, you could if you wanted to.
24 Presumably, you could be filing these things against their
25 patents.

1 **MR. REINES:** We've got some in the filing, so that if
2 it's a goose/gander thing, we could do that onesey twosey, this
3 and that.

4 These are our core patents to this case. There are a
5 few threads that we have open. And if I can address a few of
6 them, one is on a tactical disadvantage. It's not a question
7 of me saying these professionals are doing anything wrong.
8 Tactical disadvantage to a party is a central consideration.
9 All the cases say that.

10 **THE COURT:** I think I would personally interpret that
11 to mean unfair, or there's something, you know -- every
12 procedural decision always has tactical fallout, but judges
13 don't really consider that, unless there's something somehow
14 unfair about it.

15 **MR. REINES:** Then that means nothing. There would
16 never be a tactical -- then the effect of the procedure is that
17 you've iced the patents, and that's always just what it is.
18 That's circular, to me.

19 Let's reset on the precedent, because we're talking
20 about following somebody's Northern District of California
21 cases. To me, none of them are competitor cases that have any
22 kind of irreparable harm showing.

23 Two is the cases in the reëxam process are, frankly,
24 disturbing, as documented in the declaration of Kunin, and the
25 stats.

1 And if we want to talk about Congressional intent, no
2 one's more upset about this situation than Congress. And I
3 have people collect judicially noticeable stuff I can hand up
4 to you, including GAO reports, if you want. There are -- a
5 thousand examiners left in the last few years.

6 **THE COURT:** I don't know if I do. I think in
7 general, I wouldn't go much beyond legislative history, I mean,
8 or committee reports.

9 **MR. REINES:** There are hearings going on all the
10 time. The Commissioner of Patents is ordered by May 19th to
11 answer questions of Congress on what's happening with these
12 reëxams.

13 **THE COURT:** If there's anything truly within core
14 of -- the actual core, I think, of legislative history, I would
15 let you file that; but I'm telling you if it's not a committee
16 report or, you know, that kind of thing that's really core, I'm
17 not going to look at it.

18 I know there's always controversy about anything.
19 I'm not surprised by that. It's not going to help me.

20 **MR. REINES:** We've got a declaration from the person
21 that set the rules on reëxams --

22 **THE COURT:** I have that.

23 **MR. REINES:** -- saying how troubling the delays are.
24 If you read your newspaper tomorrow, you'll find that out.

25 And there's also one other thing I wanted to bring to

1 you while we're on this. I think it's relevant -- is there's
2 now basically an admission that the Board of Patent Appeals --

3 **THE COURT:** -- has a lot of illegal people sitting on
4 it.

5 **MR. REINES:** There's not even a counterargument. The
6 only counterargument is we're going to fix it legislatively. I
7 don't know if that's -- that will be retroactive back to your
8 core point about what fits, all or nothing. If we wait six
9 months for this, this will never get to the point -- we'll have
10 ten, fifteen patents ahead of it.

11 Seems to me the better way to go is to let us make
12 the decision in the coming months -- I think it's going to
13 happen in the next month -- as to which of these we'll take
14 into account. The Patent Office -- one of the patents there
15 was -- actually found a rejection in one of them. And we'll
16 make a decision about what we want to pursue. That's happening
17 in the next few weeks. Pursuant to what we've all discussed,
18 we can look at what nets out of that.

19 And as the reëxams progress, we can reconsider
20 perhaps a stay at some later point; but cutting us off where it
21 effectively accomplishes the goal of knocking these, our core
22 patents, out, rather than waiting to see what happens in the
23 reëxam process or all that's happened, as they've said at least
24 with respect to --

25 **THE COURT:** I know. You don't have to --

1 **MR. REINES:** The 211 -- all that did was grant the
2 reëxam.

3 **THE COURT:** As opposed to they granted it without
4 making a finding of --

5 **MR. REINES:** No rejection, in stark contrast to '001.
6 To me, a little bit more how, like that on the legal
7 precedents, Northern District of California -- I would start
8 with *Landis*, which is the Supreme Court case as to the
9 standard. And the standard is: if there's even a fair
10 possibility that the stay for which one prays will work damage
11 on someone else, I guess it either never could or does -- the
12 suppliant's first stay must make out a clear case of hardship
13 or inequity in being required to go forward.

14 On the other side of the ledger, there's no inequity
15 to them to have to litigate these cases. It's not like there's
16 a lot more expense involved.

17 **THE COURT:** No, but it's just a question of -- it's a
18 question of there are two bodies that could be adjudicating
19 this. Should they both be doing it at the same time, or not?

20 **MR. REINES:** It won't be at the same time,
21 your Honor. There will be no effective progress in the reëxam
22 that's in the foreseeable future. I mean, we've got years of
23 experience with hundreds of them, and 15 have been defaults.

24 **THE COURT:** Okay. All right. I understand what
25 you're saying. All right.

1 Would you respond on that?

2 **MR. FOWLER:** Thank you, your Honor. I'd like to
3 clear up some apparent errors that were made a few moments ago
4 in dealing with the case law. Counsel said that there were
5 basically troll cases; that there weren't competitors in the
6 cases we cited. That's incorrect.

7 I'll give you an example that I was able to just pull
8 out quickly: one of the cases we cited, *Nanometrics versus*
9 *Nova Measuring*. And on the first page of that decision, under
10 "Background," it stated,

11 The parties are competitors in the
12 business of inventing, designing,
13 manufacturing, and marketing systems that
14 monitor, measure, troll process for
15 semiconductor manufacturing industry.

16 That's one example.

17 Another case I haven't looked at since I've been
18 standing here *Procter & Gamble versus Kraft Foods*. I'm not
19 sure whether it's Procter & Gamble or Kraft that's the
20 noncompetitor there. I believe those are two pretty hefty
21 companies that are competing against each other. And I believe
22 it's also true of other cases that we've cited in our brief as
23 well, so that it's simply untrue to say that the cases that
24 have been decided are not competitor cases.

25 With respect to *Landis*, just as a reminder,

1 your Honor, that's a 1936 case. It doesn't involve
2 reëxamination. It's not a patent case.

3 The standard that is adopted -- that has evolved
4 since then, which is the same standard that was cited in
5 NetApp's own papers, is a different standard.

6 **THE COURT:** I see that. I think everyone already
7 agrees on that standard, essentially.

8 **MR. FOWLER:** Okay. I did want to make that clear if
9 it wasn't clear; that your Honor pointed out that NetApp might
10 file reëxam petitions as to Sun patents. That's, in fact,
11 happened. And it kind of begs the question, if it's such a
12 useless, pointless process that serves no good, why NetApp
13 would do that.

14 **THE COURT:** Presumably, it's so if their claims are
15 stayed, then they will argue that sauce for the goose is sauce
16 for the gander.

17 **MR. FOWLER:** No doubt, no doubt.

18 **THE COURT:** What about the '292?

19 **MR. FOWLER:** I wanted to address the two main points
20 that were made. That is one of them. With respect to the
21 '292, there is another petition for reëxamination that's in the
22 works. That hasn't been ruled on by the Court -- I'm sorry --
23 by the PTO. That pertains to the independent claim in
24 question.

25 And I would point out that the other claims that are

1 already under reëxamination deal with comparable subject
2 matter, as one would expect, and that the Patent Office and
3 NetApp are going to have communications with each other,
4 presumably about the validity of those. And the prior art that
5 impacts those other claims is going to have some impact on this
6 other claim.

7 The statements made by NetApp during prosecution,
8 which may have the effect of explaining the claim or narrowing
9 the claim, are certainly going to have an impact on that other
10 claim. So it's not like we have an outlier out there that's
11 completely free of what might happen in the Patent Office on
12 the other one.

13 And I do expect that the petition will be granted as
14 to that one independent claim.

15 **THE COURT:** But the petition -- the former petition
16 where that independent claim did not get put into
17 reëxamination, presumably, did ask for that already, so this is
18 the second try?

19 **MR. FOWLER:** Yes, the art that was -- yes, the art
20 that was primarily directed at the other claims.

21 This art that we've submitted now is primarily
22 directed at this new claim.

23 I wanted to make one or actually two more points, if
24 you'll indulge me, your Honor -- is that the emphasis of
25 NetApp's position is that, well, these are the core patents.

1 And -- which kind of begs: what are these other patents, and
2 why are we dealing with them? But these are the core patents.
3 And we -- NetApp -- should get to choose what to pursue.

4 Well, I don't doubt that a plaintiff gets the chance
5 to choose its patents and to put them into litigation, but I
6 don't see how that's any different than any reëxamination
7 situation facing a judge, because the plaintiff has chosen
8 which patents they want. Presumably, they've chosen ones that
9 they believe are strong. The likely targets of the reëxam are
10 the ones that are going to go under reëxam. And that's these
11 patents. These are the ones that presented the best targets
12 for invalidity. And they're the ones that are in the reëxam
13 process. So it's not a situation where they simply get to
14 choose.

15 If that were true, then all reëxam -- all motions to
16 stay should be granted or denied, if they just simply got to
17 stand up and say, "We get to choose. These are the ones we
18 choose. I don't care if they're in reëxam."

19 And the last point that I found particularly
20 interesting is Counsel said -- and this is not an exact quote,
21 but Counsel said that Mr. Hitz said that the -- you know, the
22 horses are out of the barn; not that they're going to be out of
23 the barn, but they're out of the barn.

24 And I just want to remind the Court -- this will
25 obviously be subject to further analysis in the case -- if the

1 horses are out of the barn, they're out of the barn. There's
2 no further. There's no more horses in the barn to leave.
3 They're out.

4 **THE COURT:** Well, but that -- I mean, that wouldn't
5 be a reason not to -- for example, if we got to all of this, in
6 the end if there's competitors, to not issue an injunction.

7 In other words, the fact that there's been past
8 infringement between competitors wouldn't be enough to say,
9 "Well, what's the point of issuing an injunction? It's too
10 late now."

11 **MR. FOWLER:** Well, that's right, but we would --

12 **THE COURT:** I mean, unless some party was out of
13 business, but --

14 **MR. FOWLER:** That's something we would deal with down
15 the road.

16 What I'm addressing is this whole notion of the
17 irreparable harm. I don't think there's been -- as I mentioned
18 before, there's been no showing of harm at all. I don't think
19 there's any even evidence that shows the possibility of harm.

20 What we're hearing instead is, "The horse is out of
21 the barn, so you've got to act now," but the result would be to
22 the contrary.

23 **THE COURT:** I think the argument is that things have
24 reached a tipping point, I think, is what they're arguing,
25 but --

1 **MR. FOWLER:** Well, I definitely heard that, but I
2 haven't seen any evidence of it. I don't know why today's the
3 tipping point. I don't know why it wasn't a year ago. I don't
4 know why it wasn't a year from now. There's no evidence of a
5 tipping point. There's just the argument that it's the tipping
6 point.

7 **THE COURT:** Thank you.

8 All right. Briefly.

9 **MR. REINES:** Just a few points. One, in terms of the
10 burden on motion to stay -- nothing's changed. There's no
11 congressional policy that's changed.

12 If Congress is upset with the way it's being run, the
13 burden's on them. They've come forward with no evidence of
14 irreparable harm to explain or counter our evidence.

15 Second point on the cases I referred to -- my point
16 was not that no one's a competitor in any of these cases. No
17 one's made the argument that there's irreparable harm. No
18 situation where anyone has argued, much less put in evidence
19 from these nonprecedential opinions. This is a constructive
20 suggestion more than a counterargument thing.

21 The third point is it seems to me that in the next
22 few weeks, we're going to have to hone down from 19 patents to
23 something manageable. And that's planned to be -- there's a
24 CMC in early June.

25 Again, I really think it would not be fair, based on

1 them just finding the patents that are most scary and filing
2 reëxams on them, to have those excluded from our choice of the
3 ones that we want to pursue. We're intelligent lawyers. If
4 there's really a validity problem, we won't want to pursue
5 those. Makes sense. So I would collapse this discussion with
6 that discussion. See what comes out. We may not --

7 **THE COURT:** Well, are you saying there's a
8 possibility that you will decide not to proceed on any of the
9 patents -- the three they're taking about?

10 **MR. REINES:** Yeah, your Honor. You just said we may
11 go down to one or two at the time of trial. I think we're
12 going to go through 19 patents in a claim-construction hearing
13 when the Court was talking about ten terms, total is
14 nonexistent.

15 **THE COURT:** Right.

16 On the other hand, I'm saying you've said that if
17 these are among your core patents, the chances are that I'm
18 going to have to make the decision on the stay.

19 If you're saying you may, nonetheless, whittle it
20 down and decide you don't want to pursue these three patents,
21 you know, immediately, then I would -- I might defer.

22 **MR. REINES:** The answer to that is with respect to
23 the '292, I don't think there's a basis for a stay motion.
24 Frankly, the fact that they're filing another reëxam starts
25 becoming an abuse of what this thing's supposed to be about.

1 They didn't meet the 4 percent standard.

2 **THE COURT:** They're taking another crack at it.
3 Understood.

4 **MR. REINES:** As to the other two, the one that's got
5 rejections on all of them would be a substantial factor we'd
6 have to take into account. There's so much give and take,
7 guidance from the Court.

8 At some point, if it's four patents per side, which
9 seems like a right amount to me, something around there -- we
10 haven't really started talking numbers at that level -- yeah, I
11 think there's a very, very good likelihood that a '001 patent
12 doesn't make that cut. So that's why you would be ordering a
13 stay on something that we're effectively not pursuing in that
14 circumstance.

15 As to the one that's been -- the reëxam's granted,
16 but no rejection, you know, then we'd have to see how many the
17 number is; how many claim terms are at issue.

18 **THE COURT:** Mm-hm, okay. All right. I need to move
19 on to the rest of the calendar. Anything?

20 **MR. FOWLER:** Well, your Honor, other than just to say
21 I think that with all due respect, we've heard Counsel say that
22 these are the core patents, and these are the ones they want to
23 move forward with. And now I'm hearing him say, "Maybe,
24 your Honor, if we don't rule now, maybe we might take them
25 off." I'm not betting that any of those are going to get

1 pulled off the list.

2 **THE COURT:** I mean, if I -- I guess there's a timing
3 question. Do I need to decide this right now, or would it be
4 harmful to wait a few weeks? I know you're doing work on this,
5 but --

6 **MR. FOWLER:** I don't see any reason why the Court
7 shouldn't make the decision now.

8 **THE COURT:** I certainly could, but --

9 **MR. FOWLER:** It would actually help the parties in
10 their efforts, as far as knowing what's left on the table.

11 **MR. REINES:** Your Honor, it would help us, because it
12 would remove three patents from us to choose. You understand
13 that?

14 **THE COURT:** I do.

15 **MR. REINES:** Thank you, your Honor.

16 **THE COURT:** We're talking about a few weeks, right?

17 **MR. REINES:** Yes. It's a few weeks. And the '001 --
18 I'm willing to bet Mr. Fowler right now I don't know what the
19 answer is.

20 **THE COURT:** All right. Thank you.

21 Can I ask you for simplifications purposes? Can you
22 just submit a joint chart, maybe tomorrow, just, you know, each
23 patent that the -- you know. Exactly. I think a chart would
24 be good. The status of, you know, *ex parte*, *inter partes*. You
25 know, rejected. You know, just granted, not granted. You

1 know, what we have just been talking about, these distinctions.

2 **MR. REINES:** For these three patents?

3 **THE COURT:** Yes, for these three patents. All right.

4 Thank you.

5 (At 9:45 a.m. the proceedings were adjourned.)

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CERTIFICATE OF REPORTER

I, LYDIA ZINN, Official Reporter for the United States Court, Northern District of California, hereby certify that the foregoing proceedings in C 07-6053-EDL, Network Appliance, Inc. v. Sun Microsystems, Inc., were reported by me, a certified shorthand reporter, and were thereafter transcribed under my direction into typewriting; that the foregoing is a full, complete and true record of said proceedings as bound by me at the time of filing.

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S/S Lydia Zinn, CSR 9223, RPR

Friday, May 16, 2008